

USDBC Monthly Report

Europe, Middle East, and North Africa January 2021

Upcoming Event Update: Includes month, date, title and updated brief description of 2020 market development activities.

- February 2021 – Work on the budgets for maintaining Legumechef in the UK through 2021.
- February 2021 – Preparation for a UK Virtual Trade Mission 17-18 March 2021.
- February 2021 – Coordinating USDBC presence at Gulfood 2021
- Engagement with the UK Department for International Trade (DIT) on the UK's counter measures to the US steel and aluminium tariffs.
 - In Q1 2021 the UK will run a public consultation on the scope of the list with a view to revisions.

Market/Production/Competitive/Trade Policy Developments:

EU-US: The European Union has [stepped up](#) calls on the U.S. for a suspension of each side's tariffs over transatlantic trade in metals and aircraft. EU Trade Commissioner Dombrovskis urged President Joe Biden's administration to remove U.S. duties on European steel, signalling the bloc would end its retaliatory levies in return. Dombrovskis also repeated an EU offer to cancel European tariffs on a range of American goods including Boeing planes should the Biden administration revoke U.S. duties on European products including Airbus aircraft. The Commission's trade service further advised Commission President Ursula von der Leyen to seek a temporary freeze on the tariffs and to put that proposal to Biden when the two leaders speak over the phone, which she is [reportedly](#) considering to do, offering a six-month freeze. The call is expected to take place soon.

However, Brussels and the national capitals are [divided](#) over how to put a final end to the Airbus/Boeing dispute. The Commission wishes to scrap the economic support for Airbus which lies at heart of the dispute and switch to a new subsidy model which would focus on synergies between civil, defense, and space industries. This, however, has been met with resistance from various Member States, including Spain, Germany, and France, who rather wish to just tweak the existing model to make it WTO compatible and acceptable to the US.

Grayling view: Both Biden and the EU want to reforge and strengthen the transatlantic relationship, and for the US to resume its international leadership. However, as before, ending the trade dispute between the two is easier said than done. The US and EU have grown apart over the past four years, on issues such as digital tax, agriculture, and industrial subsidies. Further, the EU and US were supposed to cooperate with China on various issues, but the EU's recently concluded (in principle) investment deal with China, despite repeated US

concerns and requests for Washington to be consulted, will likely hinder those efforts.

Whilst the EU is waiting for the Biden administration to communicate on its position vis-à-vis removing the steel and aluminium tariffs, the EU offer to freeze the tariffs is a significant peace offering by the EU, which might lead to some progress in the short term. Nonetheless, the issue may still prove thorny in the long term if Brussels and national capitals cannot agree on how to change subsidy model.

EU-China: The European Commission is currently on the [defensive](#) regarding its investment agreement with China, after the European Parliament overwhelmingly voted to denounce the deal, saying it had given away too much to China on human rights. The opinion of the Parliament is important as their approval is required for the deal to be ratified. The Commission argues that too much is perhaps expected from a deal that mainly serves to open China's closed market to European companies' investments, and that the US and Asian countries already have similar deals with China. Nonetheless, the Commission [admitted](#) that there is still much work to do to rebalance EU-China trade and address asymmetries in the bilateral relationship.

Grayling view: It is now clear that the agreement will face considerable hurdles in the Parliament, and it cannot be excluded that MEPs could refuse to ratify the agreement. There is a consensus among the Parliament's five major political groups that, at a minimum, the Commission should require China to agree on a roadmap on implementing international labour rights conventions. However, even then, many remain doubtful that China would actually comply with the conventions. Ratification of the agreement seems to have a long road ahead of it in the Parliament, and Bernd Lange, Chair of the Parliament's International Trade (INTA) committee, estimates that ratification will not occur before early 2022.

EU-Mercosur: France has once again [expressed](#) its opposition to the EU-Mercosur deal in its current form, saying that it will not sign it at this stage, adding that it expects further guarantees from the South American block on environmental and health standards. France emphasised that this does not mean their opposition is without comprise, but that they will only be satisfied by a political declaration on environmental commitments from the Mercosur countries.

Meanwhile, Portugal, which currently holds the EU's rotating Council Presidency, is working closely with Argentina, which currently chairs Mercosur, to settle outstanding issues preventing the ratification of the deal. Aside from the environmental concerns, other issues include geographical indications and origin designations.

Grayling view: The outcome of the trade agreement still very much hangs in the air. There is real drive from certain EU countries and the Commission to finalise it for geopolitical motivations. The agreement is seen as a tool for bringing Mercosur as a market closer to the EU's regulatory sphere of influence, on the eve of a massive regulatory shift to tackle climate change.

French conformation of their opposition to the deal. in its current form is matched by factions in the European Parliament, which also remains a major hurdle. However, the Portuguese Presidency is committed to concluding the deal given its cultural and economic links to Brazil and could see considerable effort made to this end. If they manage to galvanise support for the deal among the EU-27, France will face a lot of pressure to end its opposition. France is likely to eventual concede given the geopolitical strategic implications. The European Parliament will, in turn, face pressure to concede. In any case the window of opportunity in 2021 is narrow with the French Presidential election looming in autumn 2022.

Carbon Border Adjustment Mechanism: On Friday 5 February, the European Parliament's Environment, Public Health and Food Safety (ENVI) Committee [adopted](#) its report the Carbon Border Adjustment Mechanism (CBAM), opening up the way for it to be put before the entire Parliament. Amendments adopted in the report include the [following](#):

- **End of free quotas** – The CBAM should complement existing measures on carbon leakage under the EU's internal Emission Trading System (ETS), with the view to gradually replace and phase them out, so that European companies do not benefit from double “carbon protection”.
- **Calculation method** – The carbon emission of products should be calculated based on transparent and up-to-date product specific benchmarks at the level of installations in third countries. Should the importer not provide such data, the overall average carbon emission content of the different products, broken down by different production methods with varying emission intensities, should be used by default.
- **Scope of application** – By 2023, the scope should include the electricity sector and energy-intensive industrial sectors such as cement, steel, aluminium, oil refineries, paper, glass, chemicals, and fertilisers. As a second step, the scope should be extended to all imports of products and raw materials covered by the ETS.
- **WTO compliance** – Anticipating challenges in the WTO, the language has been adapted to emphasise that the CBAM should be “exclusively designed to further climate objectives and not be misused as a tool to enhance protectionism, unjustifiable discrimination or restrictions”. Further, exports subsidies for EU products should only be considered if they can prove a positive impact on the environment and are WTO-compatible.
- **Exceptions** – Least Developed Countries (LDCs) and Small Island Developing States (SIDS) should receive special treatment, taking account of the potential negative effects of the CBAM on their development.

Grayling view: The CBAM is now concretely starting to take shape, and one can see hints of what sectors may be included in its initial scope. The good news for US dry beans and the USDBC is that agricultural products are not currently included in the scope. Further, agricultural products are not covered by ETS either and thus do not seem likely to be included at the second stage either. Nevertheless, future iterations of a CBAM could include agriculture and thus in the longer-term be of significant concern.

In the short-term, CBAM tariffs on other US products could cause trade frictions, which may eventually impact agricultural trade, as is currently the case with the steel and aluminium tariffs and Airbus-Boeing disputes. The European Parliament is expected to vote on the resolution during a plenary session in March, at which time new amendments could be introduced. The Commission will then present a legislative proposal for the CBAM in June 2021.

Work Accomplished This Month: (Include pictures and especially highlight completed activities and successes)

- Ongoing –
 - Legumechef UK marketing campaign

USDBC Head Office Follow up Needed:

Trade Statistics Report:

EU imports of HS 07133390 from US: October to December 2020 and year-on-year with 2019.

	Quantity (MT)		Quantity (MT)		Quantity (MT)	
	Oct. 2020	Oct. 2019	Nov. 2020	Nov. 2019	Dec. 2020	Dec. 2019
EU27	5524	2303	3677	3875	3594	3108
Belgium	100	80	60	221	300	81
France	104	111	450	225	377	527
Germany	300	60	240	40	242	40
Italy	4115	1973	2358	3179	2126	2175
Spain	165	80	289	209	101	285